

**Report on Item 9 of the Agenda**  
of the  
**29th Annual General Meeting**  
of  
**S IMMO AG**  
on 03 May 2018

Report by the Management Board of S IMMO AG for authorisation to exclude subscription rights in relation to the authorisation of the Management Board to issue convertible bonds under Section 174 (4) in conjunction with Section 153 (4) AktG

**1. Authorisation**

A resolution will be proposed to the Annual General Meeting of S IMMO AG (the "Company") that authorises the Management Board within five years of the date of the resolution, with consent of the Supervisory Board, to issue convertible bonds related to a conversion and/or subscription right for up to 13,383,435 ordinary bearer shares of the Company with a proportionate interest in the share capital of up to EUR 48,628,711.07, including in multiple tranches, and to define all other conditions, the issue and conversion procedure for the convertible bonds. The convertible bonds can be issued for cash or for contributions in kind. This authorisation can also be used repeatedly. The sum of (i) the shares already delivered to holders of convertible bonds according to this resolution and (ii) the shares for which the conversion and/or subscription rights from convertible bonds already issued and to be issued in connection with re-use can be exercised must not exceed the maximum set in this resolution. The same applies accordingly to the total nominal value of the convertible bonds defined in this authorisation. The conversion and/or subscription rights can be served by contingent capital, authorised capital, from treasury shares, by way of delivery from third parties or a combination thereof.

The Management Board shall be authorised by the Annual General Meeting with consent of the Supervisory Board to exclude the shareholder subscription rights to the convertible bonds in whole or in part.

The issue of convertible bonds with exclusion of subscription rights can take place under this authorisation only if the total of the new shares that can be obtained with the conversion and/or subscription rights does not account for more than 20% (twenty percent) of the Company's share capital at the time this authorisation is exercised. This limit includes new shares that are issued during the term of this authorisation with the exclusion of shareholder subscription rights, based on another authorisation; moreover the total of those new shares that can be acquired through the conversion and/or subscription rights with convertible bonds, which are issued based on another authorisation during the term of this authorisation with the exclusion of subscription rights. The conversion and/or subscription rights can be served by shares from contingent capital, authorised capital, from treasury shares, or a combination thereof.

To prepare for this Annual General Meeting, pursuant to Sections 174 (4) in conjunction with Section 153 (4) AktG, the Management Board submits a written report on the reasons for the authorisation to exclude the subscription rights also stating the proposed issue price for the shares.

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## 2. Company interest

The authorisation to exclude shareholder subscription rights when issuing convertible bonds is in the company interest for the following reasons:

The company should be enabled to rapidly obtain financing by issuing convertible bonds, especially to refinance outstanding bonds.

Moreover, there may be a need for financing in light of the Company's growth strategy to finance corporate acquisitions or purchase real estate.

The company actively manages its capital structure in order to keep capital costs as low as possible. This goal can be achieved with convertible bond issues because they generally mean better financing conditions than with (mere) debt instruments (credit financing, bonds without conversion rights).

The better financing conditions result from the combination of the following factors:

Convertible bonds bear interest and generally grant a claim to repayment of capital. There is also the right to purchase company shares in future at a price generally defined upon issue of the convertible bond (conversion price), which enables a stake in the substance, earnings capacity of the company and a value increase in the share.

Issuing convertible bonds is generally more advantageous than immediate capital increases (such as from authorised capital). Under the standard terms of convertible bonds, the conversion and/or purchase price of the shares issued at the time of conversion (exercise of exchange and/or subscription right) is higher than the share price at the time of issue of the convertible bonds, so the company can generate a higher issue price compared with an immediate capital increase. Practice has shown that for issues that exclude subscription rights, the company can obtain better terms, because immediate placement can avoid price-related risks from a change in market situation.

Issues with subscription rights require a minimum two-week subscription period (Sections 174 (4) in conjunction with Section 153 (1) AktG) which means that institutional investors who are specialised in convertible bond investments and who have special requirements for the denomination, structure and process of the issue cannot be contacted (or can only be contacted with a low issue volume) because of a structure not typical for the market, the allocation mechanisms and/or potential market risks. Target-group specific communication is required as well. The company can also reinforce this investor base by issuing convertible bonds.

The performance of the company's share price, and the volatility of the equity markets in general, have a major influence on the design and conditions of the convertible bonds. However, experience shows that more attractive financing conditions cannot be achieved unless the company can respond in an immediate, flexible manner to favourable market conditions in order to make the best use of the conversion or financing terms.

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Convertible bonds that exclude subscription rights can also be issued more quickly (and affordably) because there is no preparation time for creating and approving a listing prospectus if the issue is eligible for an exception to the prospectus requirement. A prospectus-free issue can also reduce the liability risks of the company compared with an issue that includes a prospectus.

It is also in the Company's interest to issue convertible bonds for contributions in kind, especially with regard to company mergers or (also indirect) acquisition of companies, parts of companies, shareholdings, businesses or partial businesses or other assets (especially real estate) or entitlement to the acquisition of assets, including receivables from the company. In this way, convertible bonds can also be used as acquisition currency – depending on the market conditions and the future company development – for strategic transactions. In general, for the acquisition the issue of new shares (e.g. from authorised capital) can be made at a price that is higher than the share price at the time of issue. Moreover, if this consideration is granted, cash and cash equivalents do not have to be directly applied. The issue of convertible bonds for contributions in kind generally requires the exclusion of subscription rights, because the assets to be contributed usually have a unique composition (such as real estate, companies, parts of companies and shareholdings, or other assets) and cannot be contributed by all shareholders. The option to offer convertible bonds as an acquisition currency can be an advantage to the company when competing for acquisition targets.

In order to use the advantages of issuing convertible bonds for the company in the best way, excluding subscription rights is required for reasons relating to strategy, financing and company organisation.

For the reasons listed, the exclusion of subscription rights is common practice when issuing convertible bonds on the international capital market. This is also accepted by the stock market, especially when shareholders can buy the convertible bonds on the secondary market. Thus, the general intention is to issue the Company's convertible bonds on a suitable exchange, multilateral trading system (MTF) or organised trading facility (OTF). However, whether a *Listing* will be made is up to the Management Board when deciding on the issue.

By issuing convertible bonds and excluding subscription rights, therefore, the equity can be increased and financing costs can be decreased in the interest of the company and all shareholders.

### **3. Issue price**

Upon issue of the convertible bonds, the Management Board is permitted by the Supervisory Board to determine the terms of issue, the features and the terms and conditions of the convertible bonds, especially interest rates, issue price, term and denomination, provisions for protection against dilution, conversion period and/or date, conversion rights and/or obligations, conversion ratio, conversion price and conversion and/or subscription conditions, in accordance with the provisions of stock company law.

The conversion and/or subscription rights can be served by shares from contingent capital, authorised capital, from treasury shares, or a combination thereof.

The price of the convertible bonds must be set in account of standard market calculation methods in a standard market pricing procedure. The price (issue price) of a convertible bond must be based in particular on the price (issue price) of a fixed interest promissory note and the price for the conversion right, taking account of the other

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features. The issue price of a promissory note is determined on the basis of standard market calculation methods, based on the due date of the promissory note, the interest on the promissory note, the current market interest rate and on the company's credit quality. The calculation of the value of the conversion and/or subscription rights uses the method for option price calculation, particularly taking account of the maturity date / exercise period, price performance of the share (volatility) and other financial figures, and the relationship of the conversion and/or subscription price to the share price of the Company. Other features, such as right to premature termination, conversion obligation, fixed or variable conversion ratio must also be accounted for.

The issue price of the shares to be issued on conversion (exercise of the conversion and/or subscription right) and the subscription and/or conversion ratios are to be calculated on the basis of standard market calculation methods and the price of the company's shares (basis for calculating the issue price).

When issuing the conversion option for contributions in kind, the issue price of the convertible bond to be agreed with the persons making contributions in kind – in application of the above procedure for price definition – must be proportionate to the contribution in kind.

The price of the convertible bonds and the issue price of the shares will be determined by objective criteria in line with international customs and protect the interests of the shareholders (which is to avoid dilution of the shareholders' participation in the assets).

#### **4. Consideration of interests**

The authorisation to exclude subscription rights is in the company's interest for the reasons listed and is objectively justified, especially in order to reinforce and enhance the company's market and competitive position - in the interest of the company and the shareholders.

The exclusion of subscription rights is also necessary and appropriate because generally this can result in better terms for convertible bonds and replace more costly corporate actions. This can ensure long-term, flexible financial and business planning. Without excluding subscription rights the company would not be able to the same extent to use market conditions and/or acquisition opportunities in a rapid and flexible manner. These advantages for the company benefit all shareholders and it is expected that these advantages, and therefore the company interests, justify an exclusion of subscription rights.

An issue price that avoids a dilution in value for the existing shareholders will be sought.

In consideration of all conditions listed above, it can be said that the exclusion of subscription rights within the limits described is required, suitable and – in the overwhelming interest of the company – it is objectively justified and appropriate.

Vienna, in April 2018

The Management Board

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